

Chapter 3

Review of private banks' anti-money laundering systems and controls (2007)

3.1 Introduction

- 3.1.1** **Who should read this chapter?** This chapter is relevant to private banks (firms which provide banking and investment services in a closely managed relationship to high net-worth clients) and other firms conducting business with customers, such as PEPs, who might pose a higher risk of money laundering. It may also be of interest to other firms we supervise under the *Money Laundering Regulations*.
- 3.1.2** In July 2007 the *FSA* undertook a review of the anti-money laundering (AML) systems and controls at several *FSA*-regulated private banks. The review was conducted in response to a report by the *FSA*'s Intelligence team, which had highlighted the high risk of money laundering within private banking.
- 3.1.3** This sector is particularly susceptible to money laundering and firms are expected to have high-standard AML systems and controls in place in order to mitigate these risks. The review focused on firms' policies and procedures for identifying, assessing, monitoring and managing the risks with a strong focus on high-risk clients and Politically Exposed Persons (PEPs).
- 3.1.4** The key areas examined in depth were a consideration of senior managements' risk appetite and the level of customer due diligence that took place.
- 3.1.5** Overall the *FSA* found that the private banks covered by our review acknowledged the relatively high risk of money laundering within their business activities and recognised the need to develop and implement strong AML systems and controls. The report also emphasised that private banks should obtain and keep up-to-date information on clients.
- 3.1.6** The contents of this report are reflected in ■ FCG 2 (Financial crime systems and controls) and ■ FCG 3 (Money laundering and terrorist financing).